

NETARTS-OCEANSIDE SANITARY DISTRICT
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Minutes of the August 20, 2009 regular monthly meeting of the Netarts-Oceanside Sanitary District Board of Directors.

1. The regular monthly meeting of the Netarts-Oceanside Sanitary District (NOSD) Board of Directors was called to order at 6:30 P.M. by Chairperson, Craig Wakefield. The meeting was held in the Oceanside Community Club.

BOARD MEMBERS PRESENT:

Craig Wakefield, Chairperson
Elisabet Wilkerson, Vice-Chairperson
Dave Kratovil, Treasurer
Robert Olsen, Secretary

BOARD MEMBERS ABSENT:

Bruce Lovelin, Member-at-Large

EMPLOYEES PRESENT:

Daniel Mello, District Superintendent
Tami Walker, Office Manager
Bud Hubbard, Lead Operator
Andrew Hunt, System Operator

GUESTS (In attendance):

Clarence & Arielle Olson (arrived at 6:50 P.M.)

2. Approval of Agenda. Kratovil added **Budget Discussion** to the end of the District Report. Wakefield stated that he will mention a conversation that he had with Merritt Tuttle, of the Terrasea Homeowners Association, regarding the District's directional drilling the new pipelines under their properties at the end of the meeting. **Kratovil moved to approve the Agenda as amended. Wilkerson seconded. Motion passed by a vote of 4 to 0.**
3. **GUESTS:** None.
4. **PUBLIC COMMENTS:** None.
5. The Board reviewed the previously distributed **Minutes** of:
 - A. The July 16, 2009 regular Board meeting. The meeting was held in the Netarts Community Club. **Olsen moved to approve the minutes as presented. Kratovil seconded. Motion passed by a vote of 4 to 0.**

Olsen commented that he did not have any corrections to the minutes, but would like some clarification on some of the items in the minutes. Olsen asked about the status of having a telephone line installed at both the Oceanside and Netarts Community Clubs by the August Board meeting. Mello reported that having the telephone lines installed at the Community Clubs has not been high on the priority list; as we have been trying to keep the Outfall project moving ahead and working on the new WWTP paperwork, as well. Olsen asked if the District has heard anything from DEQ regarding an Amendment #6 to the MAO (Mutual Agreement & Order). Mello stated that the District has not heard anything from DEQ on the MAO Amendment #6. Mello reported that the District had a DEQ inspection today. Olsen asked Wakefield if he has talked with Debbie Tupper in the Planning Department about sending the District an email once Tillamook County has signed off on occupancy for all building permits. Wakefield apologized and stated that he forgot to talk with Debbie Tupper, but he will do that tomorrow and will email everyone to let them know. Olsen asked if Mello and Walker have been working on the appropriate wording of how to change the Resolution or Ordinance in order to receive the SDC payment up front. Mello stated that he has talked with Balfour about this and that Balfour has some templates that may work, but again, Mello stated that he has Balfour working on higher priority items at this time. Olsen wanted to ensure that his questions were in the minutes. Clarence and Arielle Olson arrived at the meeting at this time. Olsen asked if Wakefield has talked with the Tillamook County building officials about 'slosh containment alternatives.' Wakefield stated that the 'slosh containment alternatives' have been discussed and that Yarnall's alternative is one that fits the County's alternatives, so the District is good to go.

- B. The August 12, 2009 Emergency Special meeting. The meeting was held in the NOSD meeting room. **Kratovil moved to approve the minutes as presented. Olsen seconded. Motion passed by a vote of 4 to 0.**

Olsen wanted clarified what the sentence means that says "we must have a mechanism to have a direct warranty from Global for the underwater portion of the Outfall work." Mello stated that The HDD Company does not want to be responsible for the warranty portion of the 40-feet of pipe plus the diffuser. The HDD Company wants Global to be responsible for that warranty. The District is working with Rural Development on how to word that portion of the warranty. Global will be the first people the District will call if there is a problem with the 40-feet of pipe and/or the diffuser; not The HDD Company.

6. The Board reviewed the **Financial Statements** through July 31, 2009 for all Funds. Kratovil stated that the Financial Statements will be looked at the end of the District Report, when he discusses the Budget.
7. July 17, 2009 through August 20, 2009 **Accounts Payable** were reviewed for:
- A. General Fund in the amount of \$71,154.36.
 - B. Construction Fund II in the amount of \$20,952.95.
 - C. Construction Fund III in the amount of \$340,659.18.

Mello and Walker answered all questions concerning the Accounts Payable to the Board's satisfaction. Mello reported that the District is effectively over 50% done on the WWTP Design. Wakefield stated that Westech Engineering is involved in literally every aspect of what is going on in the District at this time. **Kratovil moved to pay the Accounts Payable for all Funds as presented. Wilkerson seconded. Motion passed by a vote of 4 to 0.**

8. **DISTRICT REPORT:** (A copy of Mello's Operation and Maintenance Summaries is attached. The following additional information was presented and discussed):

Mello reported that the Treatment Plant had no violations; and, is operating within our NPDES Permit limits.

Mello reported that the Outfall is taking full flows and has not been on by-pass since November 30, 2008.

Mello reported that the Oceanside Pump Station pump #1 has failed; it will cost approximately \$2,500 to \$5,000 to rebuild and is at Schoen's Motors now.

Mello reported that the Ocean Highlands Pump Station generator control panel had to be reprogrammed by Cummins and is operating well.

Mello reported that all other Pump Stations are operating okay.

Mello reported that there are two (2) SDC payments pending on the Thimbleberry sewer Development.

Mello reported that Treatment Plant Unit #1 had a failure of the air header; we had M&H Welding make a 2-ft. by 4-ft. plate. Mello stated that we must keep the Plant full of water and in operation to keep it working. Mello reported that due to the Unit #1 failure, we had two (2) sludge hauls in August. The Board asked Mello what the District will do if we have a complete failure of Unit #1. Mello reported that he has talked with Robert Miller at the Port of Tillamook Bay, and the District can haul our sludge to the Port for several days and place it in their lagoons. Mello reported that there are leaks in the air header pipe that is buried underground. We can not run every bay with all three (3) blowers on; we will have to keep doing sludge hauls. Worst Case Scenario-we will have an Excavator tear up the concrete sidewalk and replace the ductile iron pipe with approximately 40-feet of PVC pipe. Mello reported that to avoid a total failure we are keeping the pressure equalized. This Treatment Plant Unit is the one that was kept empty for years. Mello stated that we are not in a "panic state." We have back-up plans still in place; and, Mello can implement the Emergency Preparedness Plan without prior Board approval in the event of a dire emergency. Mello reported that DEQ was here today for an inspection and that the Operators had the Plant looking good. The tests looked good. Mello reported that Ms. Estegenet Belete, who replaced Beth Moore and Mike Pinney, who replaced David Mann, did the inspection. They were only here for approximately 30-minutes.

Mello reported that the Work Change Order for the Ocean Outfall was completed today and that the boats should be out in the Ocean Tuesday or Wednesday of next week to complete the Outfall work. We have a 20-day period to complete the Outfall work.

Mello reported that the District is on schedule for the new WWTP Design to be completed by October 2009.

Mello reported that the I&I Repairs are underway and that at this time, there is nothing major to report.

At this time, Kratovil did a presentation on changes to the Districts' July 31, 2009 Financial Statements. Kratovil explained that several of the Districts' Funds will need to be changed in order to be able to keep cash flowing to pay our bills. Since we have a few projects going on all at once, Walker asked for direction on how to pay all of the bills that are coming in on the Outfall project; the WWTP project; and, the 256 Road Culvert project. Kratovil explained that on the General Fund Financial Statement (Page 1), under Receipts, we will most likely change the wording from "Interfund Loan" to "DEQ Loan." Kratovil explained that on the SDC Fund Financial Statement (Page 4), under Disbursements, we will change the "Transfer to Const. Fund II" amount from \$0.00 to \$500,000 and the "Transfer to Const. Fund III" Year-to-Date column from \$0.00 to \$51,000., which will leave a "Budget Balance" of \$50,000, which will reduce the Ending Cash to \$507,318.06. Kratovil explained that on the Repair/Replacement Reserve Fund Financial Statement (Page 6), under Receipts, the "Sewer Service Reserve Fee" Year-to-Date column will change from \$23,413.34 to \$0.00, which will change the Ending Cash to \$45,697.82, as office staff will quit putting the Sewer Service Reserve Fee into the Fund until the \$270,000 is obtained in the Construction Fund III, as we need more working capital in the Construction Fund III at this time. Once the \$270,000 is reached in the Construction Fund III, staff will start placing the monies back in the Repair/Replacement Fund Sewer Service Reserve Fee. Kratovil explained that on the Construction Fund II Financial Statement (Page 7), under Receipts, the "Transfer from Construction Fund" will change to "Transfer from SDC Fund" and the Adopted Budget amount will change from \$0.00 to \$500,000, which changes the "Total Receipts" from \$4,931,000 to \$5,431,000. Under Disbursements, the "Contingency" Adopted Budget amount will change from \$343,452 to \$638,452; the "Final Engineering Design" Adopted Budget amount will change from \$120,000 to \$185,000; the "Administrative Fees" Adopted Budget amount will change from \$12,000 to \$42,000; the "Legal Fees" Adopted Budget amount will change from \$90,000 to \$190,000; and the "Interest Interim Finance" Adopted Budget amount will change from \$44,917 to \$54,917, which changes the "Total Disbursements" Adopted Budget amount from \$4,931,000 to \$5,431,000. Kratovil explained that on the Construction Fund III Financial Statement (Page 8), under Receipts, the "Transfer from SDC Fund" will change to "Interfund Loan from SDC Fund" with the Year-to-Date column changing from \$0.00 to \$51,000. The "WWTF Reserve Fund UF" Year-to-Date column will change from \$40,973.40 to \$64,386.74. The "Total Receipts" Year-to-Date column will change from \$456,498.95 to \$530,912.29. Kratovil explained that he is recommending that the District ask DEQ to either increase our Interim financing on the Outfall project by \$600,000 or to give the District a 20-year loan on that same amount. The \$600,000 that we are requesting will help pay the bills on the Outfall project. In addition, Kratovil explained

that the District is also applying to Rural Development for an additional Grant on the Outfall project in the amount of \$1,407,000.00, which will help cover litigation costs, if necessary; the Outfall Work Change Directive; etc. At this time, the Board discussed the Outfall Work Change Directive that was approved at the Emergency Special Meeting held on August 12, 2009. The Board also discussed the District paying a \$120,000 mobilization charge for the Outfall project. **Wilkerson moved to approve the Outfall Work Change Directive as presented. Kratovil seconded. Motion passed by a vote of 4 to 0.** Kratovil explained that Resolution 09-09 is a Resolution to request an additional \$1,407,000 in Grant Funding for the Outfall project. **As a result of a brief discussion, Kratovil moved to approve Resolution 09-09 as presented. Wilkerson seconded. Motion passed by a vote of 4 to 0.** Kratovil explained that the letter from the District to Ms. Manette Simpson at DEQ is requesting either an additional interim loan amount for a term through 2012 or a new permanent loan amount for a term of 20 years in the amount not to exceed \$600,000. **Kratovil moved to approve sending the \$600,000 loan letter to DEQ as presented. Olsen seconded. Motion passed by a vote of 4 to 0.** Walker explained that the letter to Richard Watters at DEQ is requesting to extend our Outfall Interim Financing Loan payback period from October 30, 2009 to January 2011, as the District will not be able to get dollars from Rural Development to payback the loan until approximately 60 to 90 days after the completion of the Outfall project. **Kratovil moved to approve the letter to Rick Watters requesting to extend the Outfall project payback period as presented. Olsen seconded. Motion passed by a vote of 4 to 0.**

At this time, Kratovil went through the Budget Detail sheets for the SDC Fund (Page 4 of 9) and the Construction Fund II (Page 6 of 9). Kratovil explained that the Budget Detail sheets will only be changed if the \$600,000 DEQ Loan is approved. The Budget Detail sheets correlate to the changes detailed above on the Financial Statements. Kratovil explained that it will be to the District's advantage to change the Budget Detail numbers and will assist with tracking the dollars on our projects. Kratovil stated that this is where we will need to go for an appropriate fix to the numbers. Wilkerson stated that she did not feel comfortable changing the Budget Detail sheets at this time, until the District knows for sure if we are approved for the \$600,000 Loan from DEQ. A brief discussion ensued. **As a result of the discussion, it was the unanimous consensus of the Board to approve the concept of these Budget Detail changes. Once we have an approved Loan from DEQ the Board can then approve changing the Budget Detail sheets.**

9. **OLD BUSINESS:** None at this time; discussed earlier under approval of the minutes.

10. **NEW BUSINESS:**

- A. At this time, Olsen stated that he had a member of the community approach him about wanting to pay his User Fees on an annual basis and would like to know why, if you pay annually, why the District does not give a "kick back" or a "discount" for paying the fees in full. Discussion ensued. The District is a Non-profit entity. Walker stated that the District still accepts Annual and Quarterly payments from customers; we just can not do billing on every kind of basis. If a customer pays their bill in full, then they do not receive anymore bills for the year. If a customer pays their bill quarterly, then the system does not send them another bill until the beginning of the next quarter. The District also accepts Visa and MasterCard payments and will place a customer on either a monthly or quarterly

list to automatically take their payments off of their credit card, if they ask us too. More discussion ensued. **As a result of the discussion, Wakefield suggested that Olsen write-out the detail of how a discount would work, and that the District can analyze all of the issues that will go along with that over the next year.**

11. CORRESPONDENCE:

- A. Letter from NORFPD to NOSD dated July 21, 2009, regarding Request to waive monthly User Fees. Mello stated that we may possibly get this request from the Netarts Water District (NWD) at a later date, due to the fact that by us billing them and them billing us, we are actually double-charging the District customers. Mello reported that the Fire Department does not charge us for Fire Protection now; nor will they charge us for the new Plant. A discussion ensued. **As a result of a brief discussion, Kratovil moved to cancel the monthly User Fee charge for the NORFPD from this time forward. Olsen seconded. Motion passed by a vote of 4 to 0.** A very brief discussion ensued regarding the possibility of the day coming when all three (3) Districts; NWD, NOSD, and OWD (Oceanside Water District) are combined.

At this time, Wakefield stated that he had a conversation with Merritt Tuttle, of the Terrasea Homeowners Association, regarding the directional drilling of our new pipelines between the existing Treatment Plant site and the new site. **Wakefield stated that what would probably satisfy everyone in the Terrasea area is an Insurance Policy; or some kind of an Assurance that if, for example, a sinkhole develops on someone's property that the directional drilling has affected, would it be covered by the District. This is a very legitimate concern. This topic will be discussed with Yarnall; Balfour; and, Right-of-Way and Associates.** As a result of some discussion, it was mentioned that we could invite all of the property owners that the directional drilling will affect to an upcoming meeting and have Right-of-Way and Associates, the firm actually doing the easements, present at the meeting too to answer all questions.

12. PUBLIC COMMENTS:

Clarence Olson commented on people not showing up at the meetings anymore; as there were some fascinating and entertaining discussions tonight. The Board thanked the Olson's for attending the meeting and supporting the District.

13. **There being no further business, Wakefield adjourned the meeting at 8:25 P.M.** The next regularly scheduled Board meeting will be September 17, 2009 in the Netarts Community Club.

Respectfully submitted,

Robert J. Olsen, Secretary
RJO/tw
Aug09min